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14 Cross-Defendant CHURCH OF SCIENTOLOGY  
15 INTERNATIONAL

RECEIVED

AUG 26 1994

HUB LAW OFFICES

16 SUPERIOR COURT OF THE STATE OF CALIFORNIA

17 FOR THE COUNTY OF MARIN

18 CHURCH OF SCIENTOLOGY ) CASE NO. 157 680  
19 INTERNATIONAL, a California not- )  
20 for-profit religious corporation; ) SEPARATE STATEMENT OF  
21 Plaintiffs, ) PLAINTIFF CHURCH OF  
22 ) SCIENTOLOGY INTERNATIONAL  
23 ) IN OPPOSITION TO DEFENDANT  
24 ) GERALD ARMSTRONG'S MOTION  
25 vs. ) FOR SUMMARY JUDGMENT  
26 )  
27 )  
28 GERALD ARMSTRONG; MICHAEL WALTON; )  
et al., )  
DATE: September 9, 1994  
Defendants. ) TIME: 9:00 a.m.  
DEPT: 1  
AND RELATED CROSS-COMPLAINT ) TRIAL DATE: 9/24/94  
)

1 Plaintiff Church of Scientology International ("CSI")  
2 submits this separate statement in opposition to defendant Gerald  
3 Armstrong's separate statement of undisputed material facts  
4 pursuant to C.C.P. Section 437c(b).

5 References to Evidence in the right-hand column is to  
6 evidence filed by plaintiff Church of Scientology International.  
7 Other references are those offered by Armstrong.

8  
9 **ISSUE NO. 1: In its first, and second and third causes of action**  
10 **for fraudulent conveyance and conspiracy to engage in the same,**  
11 **Scientology is unable to prove the element that when Armstrong**  
12 **divested himself of his assets he was rendered insolvent.**

13		
14	<b>Defendant Gerald Armstrong's</b>	<b>Plaintiff Church of</b>
15	<b>Material Facts And Supporting</b>	<b>Scientology International's</b>
16	<b>Evidence:</b>	<b>Material Facts And Supporting</b>
17		<b>Evidence:</b>
18		

19	1. In its verified	1. Disputed. This is an
20	complaint CSI alleges that	incomplete statement of the
21	Armstrong entered a	allegations contained in
22	settlement contract in 1986	CSI's Complaint. CSI alleges
23	which contained certain	that Armstrong and CSI
24	"confidentiality provisions"	entered into a settlement
25	and "liquidated damages"	agreement in 1986 ("the
26	provisions. Request for	Agreement") which contained,
27	Judicial Notice, Verified	<u>inter alia</u> , the following
28	Complaint to Set Aside	provisions: "Plaintiff agrees

1 Fraudulent Transfers and for  
2 Damages; Conspiracy  
3 ("Complaint"), Exh. A at ¶ 1,  
4 p. 2:11-19.

never to create or publish or  
attempt to publish, and/or  
assist another to create for  
publication by means of  
magazine, article, book or  
other similar form, any  
writing or to broadcast or to  
assist another to create,  
write, film or video tape or  
audio tape any show, program  
or movie, or to grant  
interviews or discuss with  
others, concerning their  
experiences with the Church  
of Scientology, or concerning  
their personal or indirectly  
acquired knowledge or  
information concerning the  
Church of Scientology, L. Ron  
Hubbard or any of the  
organizations, individuals  
and entities listed in  
Paragraph 1 above. Plaintiff  
further agrees that he will  
maintain strict  
confidentiality and silence  
with respect to his  
experiences with the Church

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of Scientology and any knowledge or information he may have concerning the Church of Scientology, L. Ron Hubbard, or any of the organizations, individuals and entities listed in Paragraph 1 above. Plaintiff expressly understands that the non-disclosure provisions of this subparagraph shall apply, inter alia, but not be limited, to the contents or substance of his complaint on file in the action referred to in Paragraph 1 hereinabove or any documents as defined in Appendix 'A' to this Agreement, including but not limited to any tapes, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard, or any of the organizations, individuals, or entities listed in Paragraph 1 above.

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The attorneys for Plaintiff, subject to the ethical limitations restraining them as promulgated by the state or federal regulatory associations or agencies, agree not to disclose any of the terms and conditions of the settlement negotiations, amount of the settlement, or statements made by either party during settlement conferences. Plaintiff agrees that if the terms of this paragraph are breached by him, that CSI and the other Releasees would be entitled to liquidated damages in the amount of \$50,000 for each such breach. All monies received to induce or in payment for a breach of this Agreement, or any part thereof, shall be held in a constructive trust pending the outcome of any litigation over said breach. The amount of liquidated damages herein

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is an estimate of the damages that each party would suffer in the event this agreement is breached. The reasonableness of the amount of such damages are hereto acknowledged by Plaintiff." **Evidence:** Plaintiff's Request for Judicial Notice, Exhibit A, Verified Complaint to Set Aside Fraudulent Transfers and for Damages; Conspiracy ("Complaint") at ¶¶ 1, 15, 16; Ex. 1(A), Gerald Armstrong Depo., Oct. 7, 1992, pp. 301:11-25 to 302:1-18 and Ex. 6 thereto, Mutual Release of all Claims and Settlement Agreement (the "Agreement"), ¶7D.

2. The complaint alleges that in February 1990 "Armstrong began to take a series of actions which directly violated the provisions of the Agreement" and, in order to protect

2. Undisputed.

1 himself against the  
2 liquidated damages  
3 provisions, without  
4 consideration he fraudulently  
5 conveyed all of his real and  
6 personal property to co-  
7 defendant Wanton, The Gerald  
8 Armstrong Corporation and Doe  
9 defendants. (sic) Request  
10 for Judicial Notice,  
11 Complaint, Exh. A at ¶ 2, p.  
12 2:20-27.  
13 "In or about February, 1990,  
14 Armstrong began to take a  
15 series of actions which  
16 directly violated provisions  
17 of the Agreement. Fearing  
18 that plaintiff would seek to  
19 collect the liquidated  
20 damages owed by his breaches,  
21 Armstrong, as set forth  
22 below, fraudulently conveyed  
23 all of his property,  
24 including real property  
25 located in Marin County,  
26 cash, and personal property  
27 to defendants Michael Walton,  
28 the Gerald Armstrong

1 Corporation, and Does 1-100,  
2 receiving no consideration in  
3 return. Thereafter,  
4 Armstrong deliberately set  
5 out to repeatedly breach the  
6 Agreement, incurring a debt  
7 which at present totals at  
8 least \$1,800,000, and which  
9 he has and had no assets to  
10 use to satisfy the debt."

11 Request for Judicial Notice,  
12 Ex. A, Verified Complaint to  
13 Set Aside Fraudulent  
14 Transfers and for Damages;  
15 Conspiracy.

16 3. The first cause of  
17 action contends that  
18 Armstrong was an owner of  
19 real property situated at 707  
20 Fawn Drive, San Anselmo and  
21 that on August 24, 1990  
22 Armstrong's transfer of the  
23 property was made with the  
24 actual intent to hinder,  
25 delay or defraud its  
26 collection of damages.

27 Request for Judicial Notice,  
28 Complaint, Exh. A at ¶ 29, p.

3. Undisputed.



1 9:9-12.

2 4. CSI alleges that at the 4. Undisputed.  
3 time he made such transfer  
4 Armstrong intended in the  
5 future to engage in conduct  
6 breaching the contract, that  
7 he would become subject to  
8 damages in consequence of  
9 said breaches, "and for which  
10 he would have rendered  
11 himself judgment-proof."

12 Request for Judicial Notice,  
13 Complaint, Exh. A at ¶ 30, p.  
14 9:13-18.

15

16 5. The complaint alleges 5. Undisputed.  
17 that Armstrong did not  
18 receive reasonably equivalent  
19 value in exchange for the  
20 transfer of his interest in  
21 the real property. Request  
22 for Judicial Notice,

23 Complaint, Exh. A at ¶ 31, p.  
24 9:24-26.

25

26 6. The second cause of 6. Disputed. This is an  
27 action contends that incomplete statement of CSI's  
28 Armstrong transferred Second Cause of Action. CSI

1 \$41,500.00 in cash and  
2 \$1,000,000 in stock in The  
3 Gerald Armstrong Corporation  
4 with the intend (sic) to  
5 defraud CSI and without  
6 receiving reasonably  
7 equivalent value in exchange  
8 for his transfer of said  
9 assets. Request for Judicial  
10 Notice, Complaint, Exh. A at  
11 ¶¶ 34-39, p. 10:18 - 12:2.

contends in the Second Cause  
of Action that: "33.  
Plaintiff realleges  
paragraphs 1-25, inclusive,  
and incorporates them herein  
by reference.

"34. On or about August,  
1990, defendant Gerald  
Armstrong was the owner and  
in possession and control of  
approximately \$41,500 in  
cash, and shares of stock in  
The Gerald Armstrong  
Corporation which were valued  
by Armstrong at \$1,000,000.

"35. On or about August,  
1990, Armstrong transferred  
the \$41,500 in cash and the  
shares of stock in The Gerald  
Armstrong Corporation to  
defendants Walton and Does  
1-100.

"36. Plaintiff is  
further informed and believes  
and thereon alleges that the  
transfer was made with an  
actual intent to hinder,  
delay or defraud plaintiff in

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the collection of its damages.

"37. Further, plaintiff is informed, and believes and thereon alleges that at the time Armstrong made the transfers, he intended in the future to engage in the conduct in breach of his Agreement with plaintiff, described above, knowing that he would thereby incur the damages described herein, and for which he would have rendered himself and his corporation judgment-proof.

"38. Defendant Armstrong received no money or other consideration in exchange for the aforementioned transfer. Plaintiff is informed and believes and thereon alleges that at the time of the transfer of the cash and stock, defendant Armstrong's interest in the cash and stock was not less than \$1,041,500. Thus, defendant

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Armstrong did not receive reasonably equivalent value in exchange for his interest in the transferred assets.

"39. Plaintiff is informed and believes and thereon alleges that defendants Walton and Does 1 - 100 received the above-described real property with knowledge that defendant Armstrong intended to (1) hinder, delay or defraud the collection of plaintiff's aforementioned damages; and (2) further breach his Agreement with plaintiff, thereby incurring substantial damages which it would be impossible for Armstrong or his corporation to pay. Defendant Walton had previously advised Armstrong concerning the Agreement and was familiar with its terms and conditions; further, Armstrong had informed defendant Walton and Does 1 -

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100 of his vendetta against plaintiff and all Church of Scientology, and of his intentions to breach the Agreement. Moreover, Walton and Does 1 - 100 were well aware of the fraudulent nature of the transfer, for which they received no money or other consideration."

**Evidence:** Complaint, ¶¶ 33-39.

7. After Armstrong divested himself of his assets he was not insolvent because his debts did not exceed his assets. Evidence, Exh. 1, Declaration of Gerald Armstrong at ¶ 7, p. 6:20-22.

7. Disputed, but irrelevant. Armstrong asserted on October 17, 1991 that he did not have the wherewithal to retain an attorney, much less satisfy a judgment of \$1,800,000. Moreover, since August, 1990, when Armstrong gave away his assets, he has repeatedly breached the Agreement, incurring debt which far exceeds his current assets. Only Armstrong's refusal to acknowledge the debt which he has incurred, forcing CSI to litigate the issue and obtain

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a judgment, enables him to assert that he is other than insolvent.

**Evidence:** Exhibit 1(B)

Declaration of Gerald Armstrong, October 17, 1991,

¶ 7; Exhibit B, Request for Judicial Notice, Church of Scientology International v.

Armstrong, LASC No. BC

052395, Second Amended

Complaint; Exhibit 1,

Declaration of Laurie J.

Bartilson, ¶ 3.

However, because CSI was not a creditor of Armstrong prior

to Armstrong's divestiture,

CSI is pursuing its

fraudulent conveyance claim

pursuant to Civil Code

Sections 3439.04(a) and

3439.04(b)(2). Neither of

these sections require CSI to

prove Armstrong's insolvency

in order to have the alleged

transfers declared fraudu-

lent. Memorandum of Points

and Authorities at 6 - 8.

1 Plaintiff Church of Scientology International's Additional  
2 Disputed Facts In Opposing Summary Adjudication of Issue No. 1:

3 Plaintiff's Additional Disputed Material Facts:                      Plaintiff's Supporting  
4 Evidence:

5  
6 7-1. CSI has filed a breach  
7 of contract action against  
8 Armstrong which is presently  
9 pending in Los Angeles.

7-1. Request for Judicial  
Notice, Exhibit B, Church of  
Scientology International v.  
Gerald Armstrong, LASC No. BC  
10 052395, Second Amended  
11 Complaint.

12  
13 7-2. The Agreement was  
14 intended to end a period of  
15 substantial litigation  
16 between CSI and Armstrong.

7-2. Exhibit 6 to Exhibit  
1(A), Agreement, ¶¶ 4, 4A,  
4B, and 5.

17  
18 7-3. When the Agreement was  
19 signed, Armstrong received  
20 approximately \$800,000 from  
21 the Church in settlement.

7-3. Exhibit 1(C),  
Article; Exhibit 1(D),  
Declaration of Graham Berry  
and Exhibit M thereto.

22  
23 7-4. Every court which has  
24 thus far considered the  
25 merits of the Agreement has  
26 determined that the Agreement  
27 is enforceable, and binding  
28 upon Armstrong.

7-4. Exhibit E to Request  
for Judicial Notice,  
Temporary Restraining Order  
issued by the Honorable  
Michael B. Dufficy on March,  
5, 1992, in the case of

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Church of Scientology  
International v. Gerald  
Armstrong, et al., Marin  
County Superior Court, Case  
No. 152229. Exhibit F to  
Request for Judicial Notice,  
Ruling by the Honorable  
Ronald M. Sohigian granting a  
preliminary injunction, on  
May 28, 1992, in the case of  
Church of Scientology  
International v. Gerald  
Armstrong, et al., Los  
Angeles Superior Court, Case  
No. BC 052395. Exhibit G to  
Request for Judicial Notice,  
Opinion of the Court of  
Appeal of the State of  
California Second Appellate  
District Division Four on May  
16, 1994, entered in the case  
of Church of Scientology  
International v. Gerald  
Armstrong, Case No. B069450.



1 ISSUE NO. 2: Scientology (sic) is unable to prove the first,  
2 second and third causes of action because it is constitutionally  
3 prohibited from litigating the truth or validity of Armstrong's  
4 protected religious belief that God directed him to divest  
5 himself of his material possessions.  
6

7 Defendant Gerald Armstrong's Plaintiff Church of  
8 Material Facts And Supporting Scientology International's  
9 Evidence: Material Facts And Supporting  
10 Evidence:

11 8. Gerald Armstrong 8. Disputed, but irrelevant.  
12 ("Armstrong") is a religious The evidence offered by  
13 figure. Evidence, Exh. 1(A), Armstrong is contradictory on  
14 Declaration of Nancy Rodes; its face. Rodes declares  
15 Exh. 1(B), Certificate of that she has been Armstrong's  
16 Saint. "hagiographer" since 1984,  
17 while Armstrong himself  
18 declares that he did not  
19 found his church until 1986.  
20 Rodes and the Douglasses (who  
21 allegedly declared Armstrong  
22 a "Saint") were all  
23 recipients of Armstrong's  
24 assets in August 1990, and  
25 have a vested interest in  
26 protecting Armstrong's assets  
27 from the reach of his  
28 creditors.

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**Evidence:** Exhibit 1(E),  
Deposition of Gerald  
Armstrong, March 17, 1994, at  
31:19 - 32:10; 90:3 - 91:12.  
However, Armstrong's status  
as a religious figure, and  
the nature of his claimed  
religion are irrelevant to  
the adjudication of  
plaintiff's claims.  
Armstrong may not avoid the  
rights of judgment creditors  
simply by claiming that God  
instructed him to divest  
himself of his assets.  
Memorandum of Points and  
Authorities at 10 - 17.

9. In 1986 Armstrong  
founded a church. Evidence,  
Exh. 1(C), Armstrong's  
deposition taken in the case  
of Scientology v. Joseph  
Yanny, Los Angeles Superior  
Court No. BC 033035 ("Yanny  
II") at 324:24 - 325:1.

9. Undisputed, and  
irrelevant.

10. Armstrong's church has a

10. Undisputed, and

1 "belief," a "corollary" and irrelevant.  
2 the "obvious." Evidence,  
3 Exh. 1(C), Armstrong's  
4 deposition in Yanny II at  
5 320:15.

6  
7 11. The belief of  
8 Armstrong's church is that  
9 when members of the church  
10 are together God is present;  
11 the corollary is that  
12 whatever is said or done when  
13 members of the church are  
14 together is sacred; the  
15 obvious is that it has always  
16 been so, is now and forever  
17 will be. Evidence, Exh.  
18 1(C), Armstrong's deposition  
19 in Yanny II at 320:20 -  
20 321:9.

21  
22  
23 12. In March, 1992  
24 Armstrong's church had 30  
25 members. Evidence, Exh.  
26 1(C), Armstrong's deposition  
27 in Yanny II at 318:13.

11. Undisputed, and  
irrelevant.  
  
12. Disputed. Armstrong  
refused to reveal the names  
of any members of his  
"church," and still has named  
no one other than Yanny, Bent  
Corydon and Ford Greene.

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**Evidence:** Ex. 1(F), Depo. of Gerald Armstrong, March 16 and 17, 1992, Religious Technology Center, et al. v. Yanny, Los Angeles Superior Court Case No. BC 033035, pp. 334:21-25 - 335:1-6; p. 326:1-3; p. 383:12-16, 411:7-8.

13. In August, 1990, as a consequence of his prayer to God for guidance in his distress at the time of the military buildup in the Middle East following Iraq's conquering of Kuwait, Armstrong was told by Him to give away his worldly wealth. Evidence, Exh. 1(D), Declaration of Armstrong, at ¶ 15, p.15:6 - 15:7, ¶ 24, p.29:13 - 29:22, ¶ 33, p. 42:13-17, ¶ 58, p.74:18 - 74:23; Exh. 1(E), Armstrong's prayer to God and His answer; Exh. 1(F) Armstrong's deposition in Scientology v

13. Undisputed, and irrelevant. See Memorandum of Points and Authorities, 10 -17.

1 Armstrong, Los Angeles  
2 Superior Court No. BC 052395  
3 ("Armstrong II"), at 268:4 -  
4 268:15; Exh. 1(G), Deposition  
5 of Michael Walton "(Walton")  
6 in Armstrong II, at 40:1 -  
7 40:13; Exh. 1(H), Armstrong's  
8 deposition herein, at 74:9 -  
9 75:17, 77:18 - 24, 78:17 -  
10 79:9; Exh. 1(I), Walton's  
11 deposition herein, at 29:3 -  
12 30:10.

14 14. As a result of God's  
15 Answer, in August, 1990  
16 Armstrong transferred his  
17 interest in the house ("Fawn  
18 house") he lived in to the  
19 co-owner Walton, released to  
20 Walton his control of funds  
21 allocated for the Fawn house,  
22 and forgave a debt owed him.  
23 Evidence, Exh. 1(D),  
24 Declaration of Armstrong, at  
25 ¶ 30, p.39:22 - 40:16, ¶ 33,  
26 p.43:2-3, Exh. 1(F),  
27 Armstrong's deposition in  
28 Armstrong II, at 268:2

14. Disputed. CSI agrees  
that Armstrong transferred  
the described assets to  
Walton in August, 1990  
without consideration, but  
denies that he did so "as a  
result of God's Answer."  
Armstrong's own claimed  
contemporaneous statements  
make no mention of either a  
question to God, nor an  
"answer."  
**Evidence:** Exhibit 1(H),  
Letter from Armstrong to  
Walton dated August 14, 1990.

1 268:20 - 269:11; Exh. 1(G),  
2 Walton's deposition in  
3 Armstrong II, at 39:9 -  
4 39:25, 40:22 - 41:12; Exh.  
5 1(H), Armstrong's deposition  
6 herein, at 75:17 - 75:25,  
7 79:18 - 82:25; Exh. 1(I),  
8 Walton's deposition herein,  
9 at 19:5 - 19:17, 27:2 - 28:2,  
10 30:11 - 32:1.

Moreover, whether Armstrong  
believes that God told him to  
transfer the assets or not is  
immaterial. Memorandum of  
Points and Authorities, 10 -  
17.

11  
12 15. As a result of God's  
13 Answer, in August, 1990  
14 Armstrong transferred to his  
15 friends Lorien Phippeny,  
16 Michael Douglas, Nancy Rodes,  
17 and Wanton his stock in The  
18 Gerald Armstrong Corporation  
19 ("TGAC"). Evidence, Exh.  
20 1(D), Declaration of  
21 Armstrong, at ¶ 33, p.43:3 -  
22 43:5; Exh. 1(H), Armstrong's  
23 deposition herein dated March  
24 17, 1994, at 76:1 - 76:14,  
25 84:23 - 85:3, 86:1 - 86:11,  
26 90:12 - 90:18, 91:8 - 91:12.

15. Disputed. See Response  
to Material Fact No. 14.

27  
28 16. As a result of God's

16. Disputed. See

1 Answer, in August, 1990 response to Material Fact No.  
2 Armstrong forgave all debts 14.  
3 owed to him. Evidence, Exh.  
4 1(D), Declaration of  
5 Armstrong, at ¶ 33, p.43:6, ¶  
6 58, p.74:19 - 74:21; Exh.  
7 1(H), Armstrong's deposition  
8 herein, at 25:20 - 33:5,  
9 39:16 - 40:14, 86:24 - 87:19;  
10 Exh. 1(J), Letter from  
11 Armstrong to Andrew  
12 Armstrong; Exh. 1(K), Letter  
13 from Armstrong to Lorrie  
14 Eaton; Exh. 1(L), Letter from  
15 Armstrong to Jerry Solfvin;  
16 Exh. 1(M), Letter from  
17 Armstrong to Bruce, Tricia  
18 and Anne-Leigh (Dawson  
19 Family); Exh. 1(N), Letter  
20 from Armstrong to Michael and  
21 Kima Douglas ("Douglases");  
22 Exh. 1(O), Letter from  
23 Douglases to Armstrong; Exh.  
24 1(P), Promissory Note from  
25 Douglases to Armstrong; Exh.  
26 1(Q), Promissory Note from  
27 Douglases to Armstrong; Exh.  
28 1(R), Promissory Note from

1 Douglasses to Armstrong; Exh.  
2 1(S), Note from Douglasses to  
3 Armstrong.

4  
5 17. Armstrong's giving away 17. Undisputed and  
6 of his wordly wealth comports irrelevant.  
7 with the words of Christ  
8 found in the Christian Bible.  
9 Evidence, Exh. 1(D),  
10 Declaration of Armstrong, at  
11 ¶ 25, p. 30:1 - 32:9.

12  
13 18. Christ promises in the 18. Undisputed and  
14 Bible "treasure in heaven" irrelevant.  
15 and "everlasting life" for  
16 the reliquishment of wordly  
17 wealth, the forsaking of  
18 houses. Request for Judicial  
19 Notice, Gospel According to  
20 St. Matthew, Chapter 19, Exh.  
21 B, at verses 16 - 30.

22 19. Armstrong's 19. Undisputed and  
23 reliquishment of wordly irrelevant.  
24 wealth has led to his gaining  
25 of Christ's promises.  
26 Evidence, Exh. 1(D),  
27 Declaration of Armstrong, at  
28 ¶ 15, p.16:2 - 16:10.



1  
2 20. The value of treasure in  
3 heaven and everlasting life  
4 is greater than the value of  
5 Armstrong's interest in the  
6 Fawn house, the Fawn house  
7 monies, TGAC stock, and all  
8 debts owed to him. Evidence,  
9 Exh. 1(D), Declaration of  
10 Armstrong, at ¶ 15, p.16:2 -  
11 16:10, ¶ 24, p.29:22 - 29:26,  
12 ¶ 25, p.30:5 - 30:8, ¶ 28,  
13 p.38:15 - 38:21, ¶ 30,  
14 p.40:23 - 41:1.

26 21. It was never Armstrong's  
27 intention to transfer his  
28 assets for the purpose of

20. Disputed. The  
Fraudulent Conveyances Act  
defines "value" as follows:  
"Value is given for a  
transfer or an obligation if,  
in exchange for the transfer  
or obligation, property is  
transferred or an antecedent  
debt is secured or satisfied.  
. . ." California cases  
uniformly hold that fairness  
of consideration is to be  
judged from the viewpoint of  
the creditors of the debtor.  
From that viewpoint, which is  
the only viewpoint relevant  
to this action, Armstrong's  
belief that he has achieved  
the treasure of heaven and  
everlasting life is not more  
valuable to CSI than the  
property which Armstrong  
transferred.

21. Disputed. Numerous  
indicia exist from which  
Armstrong's intention to

1 rendering himself "judgment  
2 proof" so as to avoid his  
3 legal responsibilities.  
4 Evidence, Exh. 1(D),  
5 Declaration of Armstrong, at  
6 ¶ 15, p.13:22 - 13:23, 14:17  
7 - 15:10.

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10 22. Armstrong has no  
11 agreement, secret or  
12 otherwise, with any of the  
13 beneficiaries of his gifts of  
14 his assets or his forgiving  
15 of debts owed to him in  
16 August, 1990 whereby any of  
17 said beneficiaries are  
18 holding such assets or  
19 amounts owed in trust for  
20 him, or otherwise have an  
21 intent to return such assets  
22 or amounts owed to him.  
23 Evidence, Exh. 1, Declaration  
24 of Armstrong, at ¶ 7, p.6:23-  
25 28.

render himself judgment proof  
can reasonably be inferred.  
See Plaintiff's Additional  
Facts Nos. 24-3, 24-4, 24-5,  
24-6, 24-7 and evidence in  
support thereof, Memorandum  
of Points and Authorities at  
12 - 14.

22. Disputed. Defendant  
Michael Walton has testified  
that he told Armstrong that  
if he had any reservations  
about giving him the  
property, that he would work  
out a way for Armstrong to  
"work backwards out of the  
deal". Moreover, the fact is  
stated in a misleading way.  
Armstrong has testified that  
in 1988, he transferred  
various assets to the Gerald  
Armstrong Corporation ("GAC")  
in exchange for 100% of the  
stock. In 1990, he gave away  
the stock. Since that time,  
Armstrong has testified, he  
has required, by gift, 80%

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of the GAC stock.  
**Evidence:** Exhibit 1(G),  
Deposition of Michael Walton  
74:4-15; Exhibit 1(A),  
Deposition of Gerald  
Armstrong, pp. 466:3-16,  
556:14 - 557:11; Exhibit  
1(E), Deposition of Gerald  
Armstrong, pp. 89:17 - 90:21.

23. In August, 1990,  
Armstrong had no intent to  
violate the settlement  
contract and no intent to  
deprive Scientology of its  
ability to collect damages  
owed to it. Evidence, Exh.  
1, Declaration of Armstrong,  
at ¶ 9, p.7:1-3.

23. Disputed. Armstrong has  
testified that, on the day he  
signed the Agreement, he  
considered that it would be  
impossible for him to honor  
the confidentiality  
provisions. He has also  
testified that, although he  
originally intended to try to  
abide by the Agreement, by  
the fall of 1989, his  
intention had completely  
changed. He has admitted  
that in the fall of 1989, he  
decided that he would no  
longer attempt to comply with  
the Agreement's  
confidentiality provisions.

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In June, 1992, Armstrong testified, " I mean, I have, I have absolutely no intention of honoring that settlement agreement. I cannot. I cannot logically. I cannot ethically. I cannot morally. I cannot psychically. I cannot spiritually. I cannot in any way. And it is firmly my intention not to honor it." In fact, Armstrong asserted that no court could make him abide by the Agreement: "They're going to have to kill me."

**Evidence:** Exhibit 1(A), Deposition of Gerald Armstrong, pp. 112:13 - 113:2, 123:1 - 124.11.

24. In August, 1990, Armstrong had not engaged in any conduct that could possibly be construed as having violated the settlement contract, with the exception of requesting

24. Disputed. Armstrong has admitted that in February, 1990, he breached Para. 4(A) of the Agreement by petitioning the Court of Appeal for permission to oppose the appeal the Church

1 permission from the Court of had taken from the judgment  
 2 Appeal to participate in the entered against it prior to  
 3 litigation of his own appeal, settlement. Armstrong has  
 4 which paragraph 4 of the also admitted that prior to  
 5 settlement contract August, 1990, he provided aid  
 6 prohibited him from doing. and assistance to anti-  
 7 In support of his request for Scientology litigant Bent  
 8 permission to so participate Corydon and his lawyer, Toby  
 9 in his appeal he submitted Plevin. This also violated  
 10 the settlement contract under the Agreement.  
 11 seal. Evidence, Exh. 1, **Evidence:** Exhibit 1(A), pp.  
 12 Declaration of Armstrong, at 107: 3 - 109:6; 424:6 -  
 13 ¶ 10, p.7:4-11; Exh. 1(T), 427:8.  
 14 Order of the Court of Appeal  
 15 permitting Armstrong to  
 16 respond.

17 **Plaintiff Church of Scientology International's Additional**  
 18 **Disputed Facts In Opposing Summary Adjudication of Issue No. 2:**

19 <b>Plaintiff's Additional</b> 20 <b>Disputed Material Facts:</b>	20 <b>Plaintiff's Supporting</b> <b>Evidence:</b>
22 24-1. Armstrong's belief 23 that the Agreement was 24 "impossible" for him to honor 25 did not prevent him from 26 signing the Agreement, 27 accepting his settlement 28 funds, and assuring Church	24-1. Exhibit 1(I), Declaration of Lawrence Heller, ¶¶ 2, 3 and Exhibit B thereto, passim.

1 representatives and lawyers  
2 that he fully understood the  
3 Agreement and agreed with it.  
4

5 24-2. When Armstrong  
6 decided to breach the  
7 Agreement, he knew that with  
8 each such breach, he incurred  
9 a debt to the Church pursuant  
10 to the Agreement's liquidated  
11 damages provision.  
12

13 24-3. Armstrong received  
14 no money or other  
15 consideration from Walton in  
16 exchange for the real  
17 property, stock and cash  
18 which he gave to Walton.  
19

20 24-4. After he gave the  
21 Fawn Drive house to Walton,  
22 Armstrong continued to live  
23 in the house with Walton.  
24

25 24-5. Not long after the  
26 August, 1990 transfers,  
27 Armstrong began to breach the  
28 Agreement more aggressively.

24-2. Exhibit 1(A),  
Deposition of Gerald  
Armstrong, pp. 82:23 - 84:9.

24-3. Exhibit 1(A),  
Deposition of Gerald  
Armstrong, pp. 267:16 -  
268:19; Exhibit 1(L),  
Deposition of Michael Walton,  
pp. 39:12-19.

24-4. Exhibit 1(E),  
Deposition of Gerald  
Armstrong, pp. 95:5 - 12.

24-5. Request for Judicial  
Notice, Exhibit B, Verified  
Second Amended Complaint in  
the case of Church of

1 He provided declarations with Scientology International v.  
2 confidential disclosures to Gerald Armstrong, et al., Los  
3 anti-Scientology litigants, Angeles Superior Court, Case  
4 including Joseph Yanny, Vicki No. BC 052395.; Exhibit C,  
5 Aznaran, Richard Aznaran, and First Amended Verified  
6 David Mayo. He worked as a Complaint, in the case of  
7 paralegal for anti- Church of Scientology  
8 Scientology attorneys Yanny, International v. Gerald  
9 John Elstead and Ford Greene. Armstrong, et al., Los  
10 He appeared as an expert Angeles Superior Court, Case  
11 witness on Scientology in a No. BC 052395; Exhibit D,  
12 case in San Jose. He gave Amended Answer of Gerald  
13 numerous media interviews in Armstrong and The Gerald  
14 which he recounted his Armstrong Corproation to  
15 experiences in Scientology. Amended Complaint, in the  
16 case of Church of Scientology  
17 International v. Gerald  
18 Armstrong, et al., Los  
19 Angeles Superior Court, Case  
20 No. BC 052395; Ex. 1(A),  
21 Deposition of Gerald  
22 Armstrong, pp. 182:13 -  
23 183:6; 186:21 - 187:5;  
24 194:16-22; 200:7 - 201:6;  
25 218:7 - 219:23; 284:22 -  
26 285:20; 311:3 - 314:15;  
27 322:19 - 324:10; 329:15 -  
28 331:10; 390:10-20; 420:18 -

1 422:25, and Exhibits 7, 8, 9,  
2 11, 12, 14.  
3

4 24-6. Armstrong continued 24.6. Exhibit 1(A),  
5 to direct the affairs of GAC Deposition of Gerald  
6 even after he had given away Armstrong, pp.471:6 - 474:13.  
7 its stock.

8  
9 24-7. Armstrong claims 24.7. Exhibit 1(F),  
10 that he was told in 1989 by Deposition of Gerald  
11 one of the Church's attorneys Armstrong, pp. 648:1 - 18.  
12 that he would be sued if he  
13 breached the Agreement.

14  
15 **ISSUE NO. 3: Scientology cannot overcome Armstrong's first**  
16 **affirmative defense based on the religious liberty clauses of the**  
17 **state and federal constitutions.**

18 Plaintiff Church of Scientology contends that all of the  
19 facts asserted by Armstrong to support his third issue, and the  
20 issue itself, are irrelevant; that the argument made by Armstrong  
21 is frivolous on its face; and that Armstrong has interposed this  
22 claimed defense in order to destroy the time of plaintiff and the  
23 Court, and to create prejudice against plaintiff.

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1 Defendant Gerald Armstrong's Plaintiff Church of  
2 Material Facts And Supporting Scientology International's  
3 Evidence: Material Facts And Supporting  
4 Evidence:  
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6 25. Armstrong's First 25. Undisputed.  
7 Affirmative Defense in his  
8 Verified Answer states:  
9 "Plaintiff is barred from  
10 bringing this action against  
11 Armstrong on the grounds that  
12 the complaint and the  
13 "agreement" on which it is  
14 based seek to attack, limit  
15 and deny Armstrong's right to  
16 freedom of religion  
17 guaranteed by the state and  
18 federal constitutions."  
19 Request for Judicial Notice,  
20 Exh. C., Verified Answer of  
21 Gerald Armstrong at ¶47,  
22 p.9:10.  
23

24 26. Plaintiff herein, Church 26. Undisputed.  
25 of Scientology International  
26 ("CSI") is a non-profit  
27 religious corporation.  
28 Request for Judicial Notice,

1 Complaint, Exh. A at p. 3:14-  
2 18, ¶ 3.

3  
4 27. CSI's management  
5 policies and directives are  
6 "scripture." Evidence, Exh.  
7 1(U), Deposition herein of  
8 Lynn Farny ("Farny"),  
9 Secretary and representative  
10 of CSI, at 144:17-145:5,  
11 146:6-13, 147:10-14, 148:6-  
12 13.

27. Undisputed, and  
irrelevant.

13  
14 28. CSI's "scriptures"  
15 direct that its "scriptures"  
16 must be followed.  
17 Evidence, Exh. 1(U),  
18 Deposition of Farny at  
19 147:10-24, 208:9-209:17;  
20 210:19-212:15; 213:11-214:8;  
21 224:8-225:12; Exh. 1(V)  
22 Hubbard Communications Policy  
23 Letter "Verbal Tech:  
24 Penalties;" Exh. 1(W) Hubbard  
25 Communications Policy Letter  
26 "Policy: Source of:" Exh.  
27 1(X) Hubbard Communications  
28 Policy Letter "Seniority of

28. Undisputed, and  
irrelevant.

1 Orders;" Exh. 1(Y) Hubbard  
2 Communications Policy Letter  
3 "Policy and Orders"  
4

5 29. In CSI's "scriptures,"  
6 "Suppressive Persons" or  
7 "Suppressive Groups" are  
8 defined as follows: "A  
9 SUPPRESSIVE PERSON or GROUP  
10 is one that actively seeks to  
11 suppress or damage  
12 Scientology or a  
13 Scientologist by suppressive  
14 acts." Evidence, Exh. 1(U),  
15 Deposition of Farny at 244:1-  
16 5, 251:12-252:7; Exh. 1(Z)  
17 Hubbard Communications Policy  
18 Letter "Suppressive Acts -  
19 Suppression of Scientology and  
20 Scientologists" at p.1.  
21

22 30. CSI declared Armstrong a  
23 "Suppressive Person" in 1982  
24 and has considered him a  
25 "Suppressive Person" ever  
26 since. Evidence, Exh. 1(U),  
27 Deposition herein of Farny at  
28 250:24-251:7; Exh. 1(AA),

29. Undisputed, and  
irrelevant.

30. Undisputed, and  
irrelevant.

1 Flag Conditions Order 6664;  
2 Exh. 1(BB), Flag Conditions  
3 Order 6664R; Exh. 1(CC) Flag  
4 Executive Directive 2830RB  
5 "Suppressive Persons and  
6 Suppressive Groups list," at  
7 p. 4, column 3.  
8

9 31. In CSI's "scriptures,"  
10 "Squirrels" are people with  
11 the "ecclesiastical" status  
12 of engaging in actions "that  
13 were destructive and aimed at  
14 the enslavement rather than  
15 the freedom of man."  
16 Evidence, Exh. 1(U),  
17 Deposition of Farny at  
18 301:11-302:1.  
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31. Disputed, and  
irrelevant. The Office of  
Special Affairs issue  
referred to in the deposition  
of Lynn Farny and cited in  
the Separate Statement of  
Undisputed Material Facts in  
Support of Defendant  
Armstrong's Motion for  
Summary Judgment is not  
scriptural material of the  
Church of Scientology. The  
definition of "Squirreling"  
contained in the scriptures  
of the Church of Scientology  
is: "altering Scientology,  
offbeat practices." The  
word is further explained as,  
"The use of the word  
'squirrel' is long-standing

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because squirrels in their little cages go 'round and 'round and get nowhere and they are also, a bad pun, 'nutty,' meaning a bit crazy."

**Evidence:** Exhibit 2(A), HCO Policy Letter of 14 February 1965 SAFEGUARDING TECHNOLOGY; Exhibit 2(B), HCO Policy Letter of 4 June 1971 STANDARD ADMIN.

32. CSI has considered Armstrong a "Squirrel" since 1984. Evidence, Exh. 1(U), Deposition of Farny at 300:21-301:3, 302:2-302:22; Exh. 1(DD), Office of Special Affairs International Executive Directive No. 19 "Squirrels."

32. Disputed, and irrelevant. Armstrong was included in the Executive Directive No. 19 due to his involvement in a plot against the Church not for "squirreling" activities.

**Evidence:** Armstrong's Exh. 1(U) at 302:12-22.

33. Included in the "scriptures" of CSI is the concept of "Fair Game." Evidence, Exh. 1, Declaration of Armstrong at ¶ 11, p. 7:14; Exh. 1(EE), Hubbard

33. Disputed, and irrelevant. There is no such thing as a "Fair Game policy" in the scriptures of the Church of Scientology. The issue cited in

1 Communications Policy Letter  
2 "Penalties for Lower  
3 Conditions."

Armstrong's Separate  
Statement was cancelled over  
25 years ago and is not part  
of the scriptures of the  
Church of Scientology.

**Evidence:** Exhibit 1(K),  
Declaration of Mark Rathbun,  
¶¶ 6, 46.

11 34. The Fair Game policy in  
12 CSI's "scriptures" states:  
13 "ENEMY - SP (Suppressive  
14 Person) Order. Fair Game.  
15 May be deprived of property  
16 or injured by any means by  
17 any Scientologist without any  
18 discipline of the  
19 Scientologist. May be  
20 tricked, sued or lied to or  
21 destroyed." Evidence, Exh.  
22 1(E), Hubbard Communications  
23 Policy Letter "Penalties for  
24 Lower Conditions."

34. Disputed, and  
irrelevant. See, No. 33.  
Further, former litigation  
adversaries of the Church  
have testified that the false  
allegation that a "fair game  
policy" exists within the  
Church of Scientology has  
been used by litigation  
opponents of the Church to  
deliberately create a false  
and misleading picture of the  
activities of the Church.  
Armstrong's reference to this  
non-existent policy herein is  
a classic instance of the  
assertion of a falsehood in  
order to blacken the reput

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35. Included in CSI's "scriptures" is a policy by Hubbard which purports to cancel "Fair Game." Evidence, Exh. 1, Declaration of Armstrong at ¶ p. 7:16, Exh. 1(FF), Hubbard Communications Policy Letter "Cancellation of Fair Game."

36. The "cancellation" of Fair Game is of the name only, and does not affect the

of the Church.  
**Evidence:** Exhibit 1(J), Declaration of Vicki Aznaran, ¶¶ 7, 8, 12, 13.  
35. Disputed, and irrelevant. See, Nos. 33 - 34. Both the issues HCO Policy Letter 21 October 1968 CANCELLATION OF FAIR GAME and HCO Policy Letter of 18 October 1967 Issue IV PENALTIES FOR LOWER CONDITIONS have been cancelled and neither are part of the scriptures of the Church of Scientology. The Declaration of Mark C. Rathbun, Ex. 1(K), sets describes the basics of the system of Ethics in the Church of Scientology and sets forth the facts concerning "cancellation of Fair Game."

36. Disputed, and irrelevant. "Fair Game" is not an element of the

1 way SPs are to be treated.  
2 Evidence, Exh. 1, Declaration  
3 of Armstrong at ¶ 11, p. 7:18  
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scriptures of the Church of  
Scientology. It does not and  
did not describe or define or  
determine the handling of  
suppressive persons and was  
never anything more than a  
colorful way of encapsulating  
the statement that a person  
who attacks the Church of  
Scientology thereby denies  
himself recourse to the  
ecclesiastical justice  
procedures of the Church for  
the resolution of disputes  
with the Church or with  
individual Scientologists.  
**Evidence:** Exhibit 1(K),  
Declaration of Mark C.  
Rathbun; Exhibit 1(J),  
Declaration of Vicki Aznaran.

22 37. Fair Game has been  
23 judicially recognized as a  
24 practice of Scientology since  
25 1976. Request for Judicial  
26 Notice, opinion Allard v.  
27 Church of Scientology, (1976)  
28 58 C.A.3d 439, 129 Cal.Rptr.

37. Disputed, and  
irrelevant. Allegations of  
"fair game" have been  
rejected by the courts more  
frequently than they have  
been tolerated. In the this  
case and the Los Angeles



1 797, Exh. D at 443;  
2 Wollersheim v. Church of  
3 Scientology, (1989) 212  
4 Cal.App.3d 872, 260  
5 Cal.Rptr.331, Exh. E, at 335,  
6 336, 341, 342, 345, 346, 347.

action, for example,  
Armstrong has alleged  
repeatedly that any use by  
the Church of judicial  
process is "fair game," and  
those claims have been  
uniformly rejected.

**Evidence:** Request for  
Judicial Notice, Exhibit I,  
Memorandum Opinion re  
Defendant's Motion for  
Summary Judgment or Summary  
Adjudication of Issues,  
entered on March 27, 1989, in  
the case of Heber Jentzsch v.  
Bent Corydon and John  
Carmichael v. Bent Corydon,  
Los Angeles Superior Court  
Judicial Coordination  
Proceeding No. 2151; Exhibit  
E, Temporary Restraining  
Order issued by the Honorable  
Michael B. Dufficy on March  
5, 1992, in the case of  
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International v. Gerald  
Armstrong, et al., Marin  
County Superior Court, Case

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No. 152229; Exhibit F, Ruling  
by the Honorable Ronald M.  
Sohigian granting a  
preliminary injunction, on  
May 28, 1992, in the case of  
Church of Scientology  
International v. Gerald  
Armstrong, et al., Los  
Angeles Superior Court, Case  
No. BC 052395; Exhibit G,  
Opinion of the Court of  
Appeal of the State of  
California Second Appellate  
District Division Four on May  
16, 1994, entered in the case  
of Church of Scientology  
International v. Gerald  
Armstrong, Case No. B069450;  
Exhibit H, Minute Order of  
August 16, 1994, re: Motion  
by Cross- Defendant, Church  
of Scientology International,  
for Summary Adjudication of  
the Second and Third Causes  
of Action of the Cross-  
Complaint, entered by the  
Honorable David A. Horowitz,  
Superior Court Judge, in the

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case of Church of Scientology International v. Gerald Armstrong, et al., Los Angeles Superior Court, Case No. BC 052395.

38. Fair Game has been judicially recognized as a practice of Scientology toward Armstrong from 1984 through 1991. Request for Judicial Notice, Memorandum of Intended Decision filed June 22, 1984 in Church of Scientology v. Gerald Armstrong, Los Angeles Superior Court No. C 420153, Exh. F at 8:18-21, Appendix at 13:15-22; opinion Church of Scientology v. Gerald Armstrong (1991) 232 Cal.App.3d 1060, 283 Cal.Rptr.917, Exh. G at 920.

38. Disputed, and irrelevant. Armstrong's evidence contradicts his characterization.

39. In CSI's "scriptures," "Black Propaganda" is defined as follows:  
"The world is full of

39. Disputed, and irrelevant. Defendant's quotation is not the definition of "Black

1 madmen.

2 The basic characteristic  
3 of extreme madness is  
4 perpetual attack, attacks on  
5 anything, attacks on persons  
6 or things which contain no  
7 menace.

8 Extreme, not petty,  
9 crime is at the root of such  
10 an impulse.

11 The attacker has an evil  
12 purpose in life. He is a  
13 thing of death, not life.  
14 And his harvest is a death  
15 harvest.

16 Such a person feels he  
17 cannot be safe unless  
18 everything else is dead.

19 His evil purpose takes  
20 many forms and expressions.  
21 The end product is the same-  
22 death. ... Where an attacker  
23 lacks the physical means of  
24 destroying others and where  
25 his own purpose would fail if  
26 disclosed, the attacks become  
27 covert.

28 He uses word of mouth,

Propaganda." The correct  
definition of "Black  
Propaganda" is in the issue  
cited by Armstrong but is not  
presented in Armstrong's  
Separate Statement. It is:

"'Black propaganda'  
(black = bad or derogatory,  
propaganda = pushing out  
statements or ideas) is the  
term used to destroy  
reputation or public belief  
in persons, companies or  
nations.

"It is a common tool of  
agencies who are seeking to  
destroy real or fancied  
enemies or seek dominance in  
some field.

"The technique seeks to  
bring a reputation so low  
that the person, company or  
nation is denied any rights  
whatever by 'general  
agreement.' It is then  
possible to destroy the  
person, company or nation  
with a minor attack if the

1 press media, any black propaganda itself has  
2 communication channel to spit not already accomplished  
3 his venom. He hides himself this."  
4 as the source, he makes the **Evidence:** Armstrong's Exh.  
5 verbal attack seem logical or 1(HH)  
6 real or proven.

7 He counts on the  
8 utterances being picked up or  
9 distorted and passed on by the  
10 more base people in the  
11 society.

12 This is Black  
13 Propaganda. It is intended  
14 to reduce a real or imagined  
15 enemy, hurt his income and  
16 deny him friends and  
17 support....

18 Black Propaganda is  
19 essentially a fabric of lies.  
20 Evidence, Exh. 1(U),  
21 Deposition of Farny at  
22 448:10-24; Hubbard  
23 Communications Policy Letter  
24 "How to Handle Black  
25 Propaganda - Rumors and  
26 Whispering Campaigns," Exh.  
27 1(GG); Hubbard Communications  
28 Policy Letter "Black PR,"

1 Exh. 1(HH).

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3 40. According to CSI,  
4 Armstrong has engaged in  
5 "Black Propaganda" against  
6 Scientology. Evidence, Exh.  
7 1(U), Deposition of Farny at  
8 448:25-449:5

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10 41. According to CSI,  
11 Armstrong has engaged in  
12 "Black Propaganda" against  
13 Scientology when he testified  
14 in deposition pursuant to  
15 subpoena. Evidence, Exh.  
16 1(U), Deposition of Farny at  
17 449:13-450:8.

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40. Undisputed, and  
irrelevant.

41. Disputed, and  
irrelevant. The fact of  
Armstrong testifying in  
deposition is not "black  
propaganda." Rather the  
black propaganda exists in  
much of the content of  
Armstrong's statements in  
deposition, declarations, to  
the media and elsewhere.  
Black propaganda is not  
inherent in the act of  
speaking or testifying but  
rather may be contained in  
the content of such speech or  
testimony, when that content  
is false and malicious.

**Evidence:** Armstrong's Exh.  
1(HH); Request for Judicial

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42. According to CSI, Armstrong's testimony in litigation is "made up" "schtick," his "declarations are phony and .... contain lies," and he lied in testimony about Scientology and its founder. Evidence, Exh. 1(U), Deposition of Farny at 334:20-335:15, 385:24-386:5

43. Included in the "scriptures" of CSI is an article by Hubbard entitled "Dissemination of Material" which is published in a booklet entitled "Magazine Article on Level 0 Checksheet." Evidence, Exh. 1, Declaration of Armstrong at ¶ 12. p. 7:22; article "Dissemination of Material" from "Magazine Articles on Level 0 Checksheet," Exh.

Notice, Exhibit B, Second Amended Complaint.

42. Undisputed, and irrelevant.

43. Disputed, and irrelevant. The scriptures of the Church of Scientology do not include an article in the form and format cited by Armstrong. The scriptures do include a very similar article entitled, "Dissemination of Material." Evidence: Exhibit 2(C), "THE SCIENTOLOGIST A MANUAL ON THE DISSEMINATION OF MATERIAL" in the Organization

1 1(II).  
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4 44. In "Dissemination of  
5 Materials" Hubbard directs  
6 his organization personnel as  
7 follows:  
8 "The DEFENSE of anything  
9 in UNTENABLE. The only way  
10 to defend anything is to  
11 ATTACK, and if you ever  
12 forget that, then you will  
13 lose every battle you are  
14 ever engaged in, whether it  
15 is in terms of personal  
16 conversation, public debate,  
17 or a court of law. NEVER BE  
18 INTERESTED IN CHARGES. DO,  
19 yourself, much MORE CHARGING  
20 and you will WIN. And the  
21 public, seeing that you won,  
22 will then have a  
23 communication line to the  
24 effect that Scientologists  
25 WIN. Don't ever let them  
26 have any other thought than  
27 that Scientology takes all  
28 its objectives."

Executive Course Public  
Division ("OEC" Vol. 6), pp.  
25-51.

44. Disputed, and  
irrelevant. The article  
which exists in Church  
scriptures does not contain  
the passage cited by  
Armstrong.

**Evidence:** Exhibit 2(C).



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3 "The law can be used  
4 very easily to harass, and  
5 enough harassment on somebody  
6 who is simply on the thin  
7 edge anyway, well knowing  
8 that he is not authorized,  
9 will generally be sufficient  
10 to cause his professional  
11 decease. If possible, of  
12 course, ruin him utterly."  
13 Article "Dissemination of  
14 Material" from Exh. 1(II) at  
15 pp.54, 55.

16 45. CSI personnel in its  
17 "Legal Bureau." (sic)  
18 Evidence, Exh. 1(U),  
19 Deposition of Farny at 7:16-  
20 9:8, 179:12-16.

21 46. CSI considers the  
22 personnel in its Legal Bureau  
23 are performing "eccliaistical"  
24 duties. Evidence, Exh. 1(U),  
25 Deposition of Farny at 141:3-  
26 142:22, 182:7- 21, 183:19-  
27 184:23  
28

45. Disputed,  
irrelevant, and  
incomprehensible.

46. Disputed, and  
irrelevant. Armstrong's  
separate statement misstates  
the testimony of Mr. Farny.  
In the passages cited Mr.  
Farny draws a distinction  
between the corporate  
organization and the

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ecclesiastical organization  
of the Churches of  
Scientology. He then  
answered questions about his  
staff positions within the  
framework of a discussion of  
ecclesiastic and corporate  
forms of organization and  
governance. It is incorrect  
to equate a position which  
has authority derived from an  
ecclesiastic hierarchy with a  
position which involves the  
enactment of ecclesiastic  
duties. To be precise, the  
duties of a Legal Bureau  
staff member involve many, if  
not mostly, acts which are  
secular in nature; but the  
authority of the staff member  
to act within his sphere of  
activities derives from the  
hierarchical ecclesiastic  
lines of authority in which  
the Church of Scientology  
International is part.

**Evidence:** Armstrong's Ex.  
1(T), Deposition of Farny, as

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cited in No. 46 of  
Armstrong's Separate  
Statement.

47. The "ecclesiastical"  
duties in CSI's Legal Bureau  
include dealing with all the  
litigation involving  
Armstrong. Evidence, Exh.  
1(U), Deposition of Farny at  
184:19-23, 245:20-23.

47. Disputed, and  
irrelevant. This is a  
continuation of the  
misstatement of Mr. Farny's  
deposition testimony  
regarding ecclesiastic and  
corporate lines of authority.  
**Evidence:** No. 46, above, and  
Armstrong's Ex. 1(T) Farny  
Depo at 245:20-23, 261:16-25.

48. Testifying falsely or  
giving data against  
Scientology falsely or in  
generalities or without  
personal knowledge of the  
matters to which one  
testifies is considered a  
"suppressive act" in  
Scientology. Evidence, Exh.  
1(U), Deposition of Farny at  
256:9-17.

48. Disputed, and  
irrelevant. The statement  
presented in No. 48 cannot be  
dealt with in vacuo. It must  
be tempered with an  
understanding such as  
expressed by Mr. Farny in his  
deposition testimony, cited  
by Armstrong - i.e., "[i]f  
the testimony fits within the  
more embracive definition of  
being an act undertaken

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knowingly to suppress, impede or destroy Scinetology..."

**Evidence:** Armstrong's Ex. 1(T) Farny Depo at 256:9-17.

49. Public statements against Scientology or Scientologists but not to Committees of Evidence duly convened are considered "suppressive acts" in Scientology. Evidence, Exh. 1(U), Deposition of Farny at 261:4-11.

49. Disputed, and irrelevant. See response to No. 48, above, and modifying statement as presented by Mr. Farny.

**Evidence:** Armstrong's Ex. 1(T) Farny Depo at 261:4-11.

50. Testifying falsely or giving data against Scientology falsely or in generalities or without personal knowledge of the matters to which one testifies, and public statements against Scientology or Scientologists but not to Committees of Evidence duly convened are considered by CSI to be the

50. Disputed, and irrelevant. Substantially misstates and misquotes the deposition testimony of Mr. Farny. Mr. Farny stated that those offenses which "specifically pertain to ecclesiastical offenses are the exclusive purview of the ecclesiastical authority to adjudicate...." In this regard, please note the list

1 exclusive purview of the  
2 ecclesiastical authority to  
3 adjudicate. Evidence, Exh.  
4 1(U), Deposition of Farny at  
5 261:12-25.

of offenses cited in HCO  
Policy Letter Suppressive  
Acts which pertain solely to  
Church ecclesiastic matters  
and are outside the bounds of  
civil courts. Such offenses  
include matters pertaining to  
the delivery of Scientology  
services to parishioners, for  
example.

**Evidence:** Armstrong's  
Exhibit 1(T) Farny Depo at  
261: 16-25; and HCO Policy  
Letter Suppressive Acts,  
Armstrong's Ex. 1(Z).

17 51. CSI seeks in its  
18 litigation against Armstrong  
19 to prevent him from  
20 testifying against  
21 Scientology, and from making  
22 public statements against  
23 Scientology or  
24 Scientologists, and seeks to  
25 have the Courts punish him  
26 for so doing. Request for  
27 Judicial Notice, Verified  
28 Second Amended Complaint in

51. Disputed, and  
irrelevant. Armstrong  
misstates the relief  
requested by CSI in its  
Second Amended Complaint.  
CSI seeks only to obtain that  
which Armstrong promised to  
provide in 1986  
**Evidence:** Request for  
Judicial Notice, Exhibit B,  
Second Amended Complaint,  
passim.

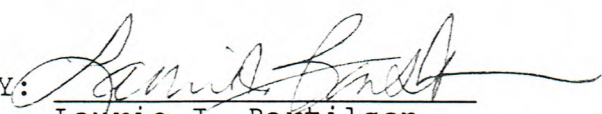
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Armstrong II, Exh. H

Dated: August 26, 1994

Respectfully submitted,

BOWLES & MOXON

BY:   
Laurie J. Bartilson

Andrew H. Wilson  
WILSON, RYAN & CAMPILONGO

Attorneys for PLAINTIFF  
CHURCH OF SCIENTOLOGY  
INTERNATIONAL

H:\ARMFRAUD\SEPARATE.RES

PROOF OF SERVICE

STATE OF CALIFORNIA            )  
                                  )  ss.  
COUNTY OF LOS ANGELES        )

I am employed in the County of \_\_\_\_\_, State of California. I am over the age of eighteen (18) years and not a party to the within action. My business address is \_\_\_\_\_

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On August 26, 1994, I served the foregoing document described as SEPARATE STATEMENT OF PLAINTIFF CHURCH OF SCIENTOLOGY INTERNATIONAL IN OPPOSITION TO DEFENDANT GERALD ARMSTRONG'S MOTION FOR SUMMARY JUDGMENT on interested parties in this action,

by placing the true copies thereof in sealed envelopes as stated on the attached mailing list;

by placing  the original  true copies thereof in sealed envelopes addressed as follows:

FORD GREENE  
HUB Law Offices  
711 Sir Francis Drake Blvd.  
San Anselmo, CA 94960-1949

MICHAEL WALTON  
700 Larkspur Landing Circle  
Suite 120  
Larkspur, CA 94939

BY MAIL

\*I deposited such envelope in the mail at Los Angeles, California. The envelope was mailed with postage thereon fully prepaid.

As follows: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with U.S. postal service on that same day with postage thereon fully prepaid at Los Angeles, California in the ordinary course of business. I am aware that on motion of party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing an affidavit.

Executed on August 26, 1994, at Los Angeles, California.

\*\* (BY PERSONAL SERVICE) I delivered such envelopes by hand to the offices of the addressees.

\*\* Such envelopes were hand delivered by Messenger Service

Executed on August 26, 1994, at Los Angeles, California.

(State) I declare under penalty of the laws of the State of California that the above is true and correct.

(Federal) I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

---

Print or Type Name	Signature
--------------------	-----------

\* (By Mail, signature must be of person depositing envelope in mail slot, box or bag)

\*\* (For personal service signature must be that of messenger)